

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 594 - SB 465**

March 14, 2021

**SUMMARY OF BILL:** Requires all sales and use tax collections generated by the one percent increase in the sales and use tax rate (from six percent to seven percent) pursuant to Public Chapter 856 of 2002, currently appropriated to the General Fund, to be allocated pursuant to the general allocation provisions of the sales and use tax.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$63,223,900/FY21-22 and Subsequent Years**

**Increase Local Revenue - \$63,223,900/FY21-22 and Subsequent Years**

**Other Fiscal Impact – The recurring decrease in state revenue shown above is comprised of impacts on various state funds, as follows: a recurring decrease in revenue to the General Fund of \$975,017,000; a recurring increase in revenue to the Education Fund of \$894,130,900; a recurring increase in revenue to the Department of Revenue of \$5,046,400; and a recurring increase in revenue to the Debt Service Fund of \$12,615,900.**

**Assumptions:**

- According to the Department of Revenue (DOR), FY19-20 sales and use tax collections generated by the one percent tax rate, currently allocated to the General Fund, were \$1,257,705,970.
- Based on Fiscal Review Committee staff estimates, sales and use tax collections are estimated to increase by 5.08 percent in FY20-21 and 3.93 percent in FY21-22. Therefore, the total sales tax collections to be allocated to the General Fund in FY21-22 are estimated to be \$1,373,536,212 [ $\$1,257,705,970 \times (1 + 5.08\%) \times (1 + 3.93\%)$ ].
- Based on the general statutory allocations of sales and use taxes, such tax collections will be allocated as follows as a result of this legislation:
  - 29.0141 percent to the General Fund, for a recurring decrease in revenue of \$975,017,042 [ $\$1,373,536,212 - (\$1,373,536,212 \times 29.0141\%)$ ];
  - 65.0970 percent to the Education Fund, for a recurring increase in revenue of \$894,130,868 ( $\$1,373,536,212 \times 65.0970\%$ );
  - 0.37 percent to DOR, for a recurring increase in revenue of \$5,046,372 ( $\$1,373,536,212 \times 0.3674\%$ );
  - 0.92 percent to the Debt Service Fund, for a recurring increase in revenue of \$12,615,930 ( $\$1,373,536,212 \times 0.9185\%$ ); and

- 4.6030 percent to the local government, for a recurring increase in revenue of \$63,223,872 ( $\$1,373,536,212 \times 4.6030\%$ ).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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